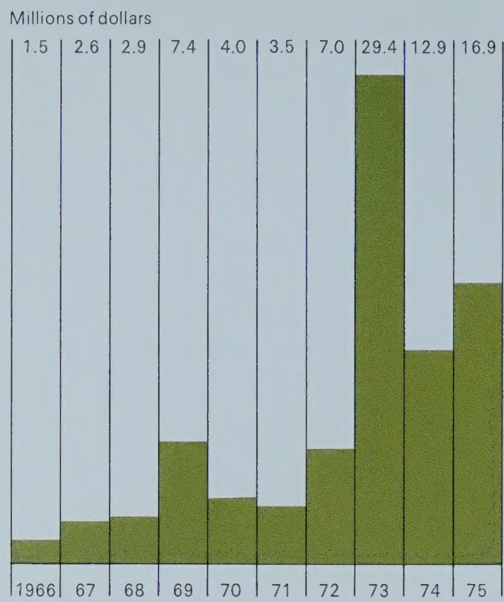
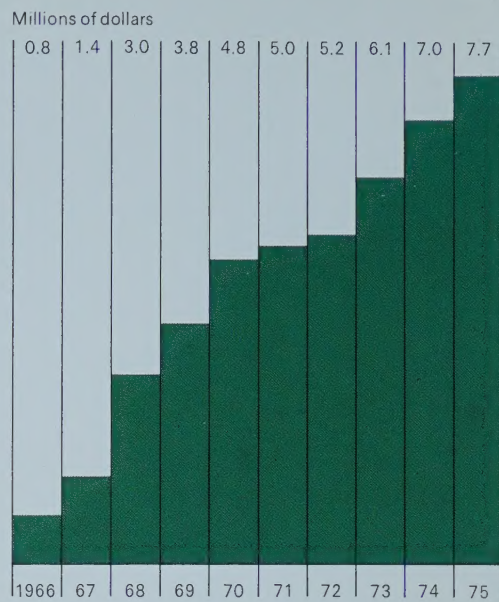
Markborough Properties 1975 Annual Report

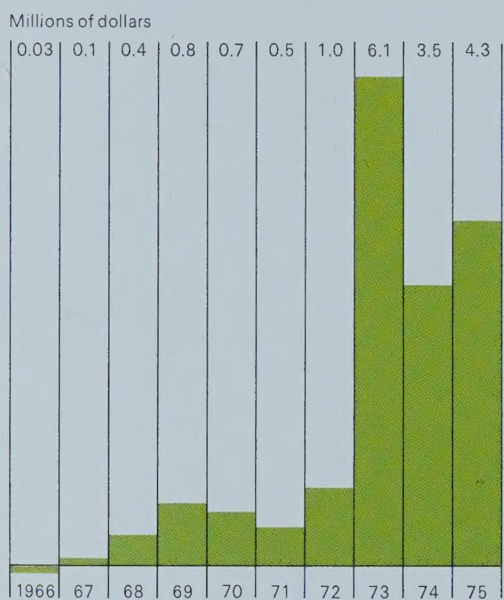
Revenue from land operations



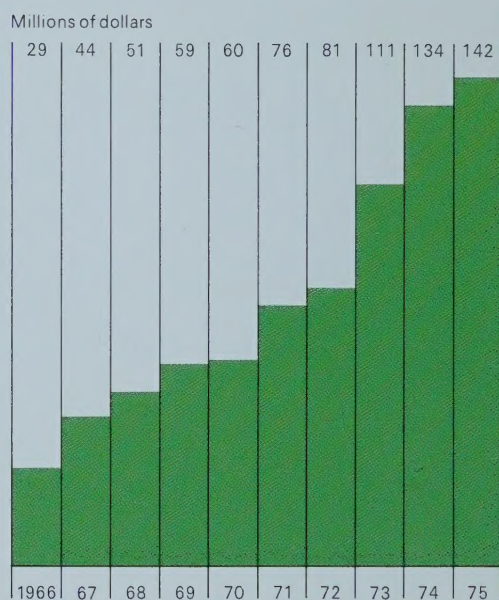
Revenue from income properties



Net income after taxes



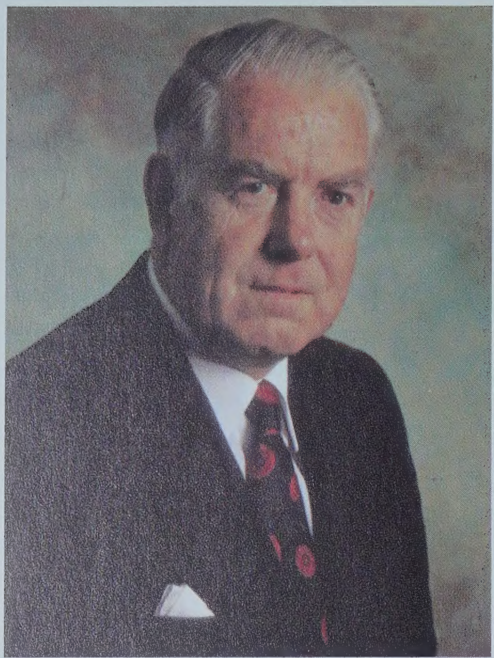
Total assets



Contents

Highlights

		1975	1974
Operating results for the year	Revenue from land operations	**$16,925,000**	$12,914,800
	Revenue from income properties	**7,740,500**	7,036,500
	Net income before taxes	**8,905,700**	7,424,700
	Net income after taxes	**4,282,700**	3,528,700
	Per common share (weighted average):		
	Net income after taxes	**$1.07**	$0.88
	Cash flow from operations	**1.70**	0.98
Financial position at the year-end	Undeveloped land	**$63,215,200**	$60,458,400
	Income properties	**51,291,700**	46,155,200
	Bank debt	**9,608,700**	3,980,300
	Long-term debt	**70,807,800**	70,663,900
	Share capital	**20,956,300**	20,956,300
	Retained earnings	**17,467,300**	13,184,600
Statistical at the year-end	Common shares outstanding	**4,002,499**	4,002,499
	Ratio of income properties to land for development	**.8 to 1**	.8 to 1
	Ratio of debt to equity	**2.1 to 1**	2.2 to 1



Dear Shareholder

I am pleased to present this Annual Report for our fiscal year ended October 31, 1975.

Our operating results this year showed an improvement over 1974. Land sales increased to $16,925,000 from $12,915,000 in the previous year. Revenue from income properties increased to $7,741,000 from $7,037,000. Interest income decreased, due to a lower level of receivables on our books throughout the year. In line with the general trend the cost of doing business, salaries, administrative overhead and interest expense, also increased. In spite of these increased costs, we were able to improve our net profit after taxes to $4,283,000 from $3,529,000 last year.

August 12, 1975 marked the tenth anniversary of the formation of Markborough. Elsewhere in this report is an analysis of our financial progress over this 10 year period. It is timely to evaluate in human and social terms, what has been accomplished. Our business is shelter – serviced land for homes, apartments, office and industrial buildings, shopping centres, hotels – places for people to live and work. In the 10 years since 1965 we have provided in our residential communities living space for an estimated 36,000 people. In our industrial and commercial developments, 6,000 people are employed by over 150 companies. Meadowvale alone when completed will house more people than 97% of the incorporated cities, towns and villages in the whole of Canada. Add to that our planned communities in Whitby, Brooklin, Oakville, Burlington, in Ohio and Florida in the United States. This is the magnitude of our undertaking, a measure of our challenge for the future.

The social impact of the housing industry, in many of its aspects, is dependent on political policies and processes. This is the nature of things and we accept and respect it. But if the private sector is to continue to play a meaningful role in this vital industry, Government policies, programmes and administration must recognize the unique problems that often frustrate our efforts. Federal income tax legislation accommodates the capital intensive nature of the industry in some respects, while in others it is ignored. Federal home ownership and rental assistance programmes, strong in concept, become ineffective in some applications because of certain unsound provisions and regulations. In Ontario, the location of our major land development activity, the Provincial Government alone has the jurisdictional authority and financial

capacity to construct massive water and sewage trunk works, the basic and prime essential to opening up new land for housing. Most important of all, local councils must be provided with sufficient finance to enable them to meet whatever fiscal demands result from population growth within their municipalities. In turn, they must be willing to accept additional orderly development in sufficient amounts and at a rate that will meet the demand for housing.

Apart from the obvious need for shelter at affordable prices, the practical prospect of home ownership for those who want it is an important part of a stable social fabric. For many, these aspirations are presently thwarted by the high cost of the housing package, a cost of which serviced land is a significant part. The price of serviced land is a function of raw land costs, development costs, money costs and of the time required to process a plan of subdivision. An accelerated programme of major trunk works undertaken by the Provincial Government would increase the amount of raw land that can be converted into serviced lots, thus decreasing or eliminating entirely the scarcity premium that now attaches to the existing supply. A reduction to reasonable limits of excessively high development and amenities standards would produce significant development cost savings. Lower interest rates, or at the very least, Federal income tax provisions that alleviate the full impact on the home owner of the present high interest rate structure, would effect money cost savings. These measures, if accompanied by a system of more rapid processing of subdivision plans through the various Government agencies and political authorities, could significantly reduce the cost of serviced land.

In spite of these concerns, I expect 1976 will be a year of continued progress for the Company. Registration of an additional three neighbourhoods in Meadowvale West now appears imminent. This will provide us with sufficient land inventory to meet at least in part the heavy demand for serviced lots. Subject to registration of plans and the completion of servicing requirements, we have concluded sales agreements with builders for over $27,000,000 in these neighbourhoods. Our lengthy struggle over 2½ years to obtain a registered plan on our Langmaid property in Whitby appears to be nearing a successful conclusion. It is possible we will be able to offer lots for sale in this project in 1976. Our plans in Homestead, Florida are proceeding well. We expect to begin construction of basic service works for our first residential neighbourhood in 1976. Our estate lot developments east of Cleveland have been well received. We have purchased an additional 470 acres in this area, adjacent to the community of Gates Mills, one of the finest estate lot communities in the northeastern United States.

The industrial market for both land and rental accommodation has been soft, but there is increasing evidence of renewed activity in this area. Our Commercial Division has received site plan approval for Phase I of Woodside Square Shopping Centre. Construction should commence in the Spring. We have leased 25% of our recently completed office building at 220 Duncan Mill Road, and I would expect we will have additional space leased in this building in the near future.

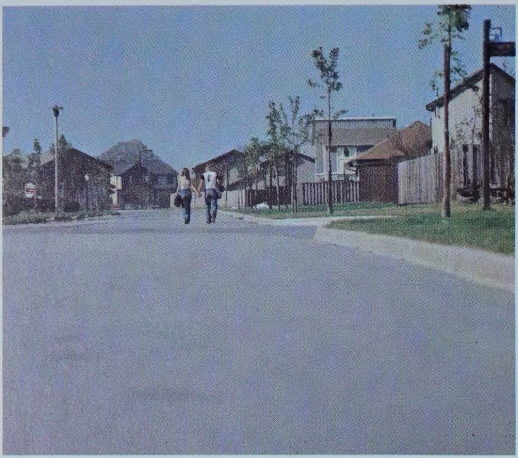
Some comment should be made on the anti-inflation and rent control legislation recently enacted by the Federal and Ontario Governments. While it is too early to measure their full impact, we do not expect that they will inhibit our growth. Certainly uncontrolled inflation is a fundamental threat to Canada's economy and we support action necessary to combat this problem.

As I have indicated, I am optimistic about our prospects for the current year. We will continue to pursue opportunities to enlarge our base of operations and improve the profitability of the Company.

On behalf of the Board of Directors, I would like to thank our vigorous and competent staff for their continuing diligence and hard work.

B.R.B. Magee, President and Chairman of the Board

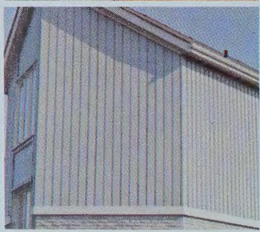
January 28, 1976.

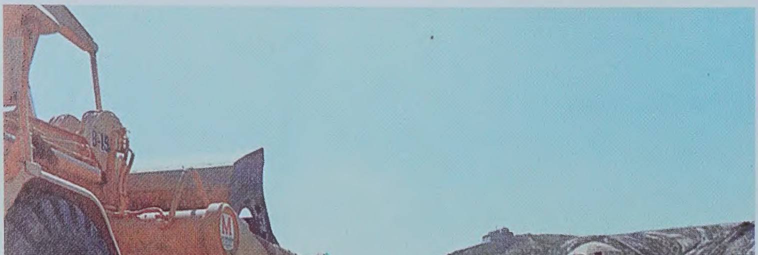









Land division

Kenneth C.Comyns, Vice-President

Our land development activities during the year were again highlighted by the progress of our Meadowvale project. Servicing of our third phase in Meadowvale West, Neighbourhood 8, was completed. In spite of an uncertain housing market elsewhere, the demand for serviced land in Meadowvale was strong and all available building sites in Neighbourhood 8 were sold. We introduced twelve new builders to the programme and they have presented housing styles which have proved highly popular with home buyers. The first occupants began moving into the new Neighbourhood in September.

In this Neighbourhood, we have encouraged and supported an additional innovative feature, a functioning experimental solar home. This house, now completed and occupied, is designed to utilize solar energy to provide up to 60 per cent of its normal heating and energy requirements. If the experiment is successful, this energy-conserving system could dramatically influence future housing designs.

We continued to work towards registration of the remaining lands in Meadowvale West. Three residential neighbourhoods and the Town Centre received draft plan approval during the year. Pre-servicing of the single-family area of Neighbourhood 3 has been finished in advance of registration and the engineering design for Neighbourhoods 4 and 5 has been completed. Pre-servicing of Neighbourhood 4 is well underway. Neighbourhoods 4 and 5 contain 2,498 housing units of all types. A successful marketing programme has produced conditional sales agreements with builders for a substantial portion of these lands. The rest of Neighbourhood 3, containing the Meadowvale West lake, will be developed as the final residential stage of Meadowvale West.

In conjunction with the City of Mississauga Parks and Recreation Department, the first major recreation facilities were provided in the various communities in accordance with our overall open space plan. Tennis courts, wading pools, soccer and baseball fields are in various stages of construction. The first schools in Meadowvale, a Separate School and a Junior Public School, are now nearing completion.

Plans are still being processed for the Meadowvale North Community which has been designed for an ultimate population of 22,000 people. The Official Plan review of the City of Mississauga was completed during the year. While the timing of the development of Meadowvale North is still being discussed, we hope that it will commence in 1978.

We are planning for the development of a GO Station at Derry Road and the C.P.R. main line between the North and West regions of Meadowvale in accordance with the stated policy of the Provincial Government. The extension of this rapid-transit system to serve Meadowvale could be in operation in 1978.

The Meadowvale Information Pavilion was again active this year. Among the 21,000 visitors were several government delegations from abroad. Much of the success of our marketing programme was due to our television and other media advertising. Our magazine campaign was nominated as one of the three best in Canada for 1974 in the "Marketing" annual awards and in the Canadian Television Commercial Festival, we were honoured with the highest award in our category.

Last year we announced the acquisition of a half interest in 2,800 acres in the City of Homestead, Florida, 25 miles south of Miami. As managing partner of this project, to be known as Homestead Lakes, we are pleased to report that excellent progress has been made. We expect to obtain final approval in the near future from the South Florida Regional Planning Council which exercises control over developments of regional impact within the State. The project also received unanimous approval from the City of Homestead Planning and Zoning Board as well as the City Council. Comprehensive planning and environmental studies together with preliminary engineering design have been concluded. During the year, an additional 300 acres of land was purchased by the partnership to complement our existing holdings. When completed, the project will have a population of 40,000 people living in

Collage: A Meadowvale family album

Bottom left: Servicing activity in Meadowvale West

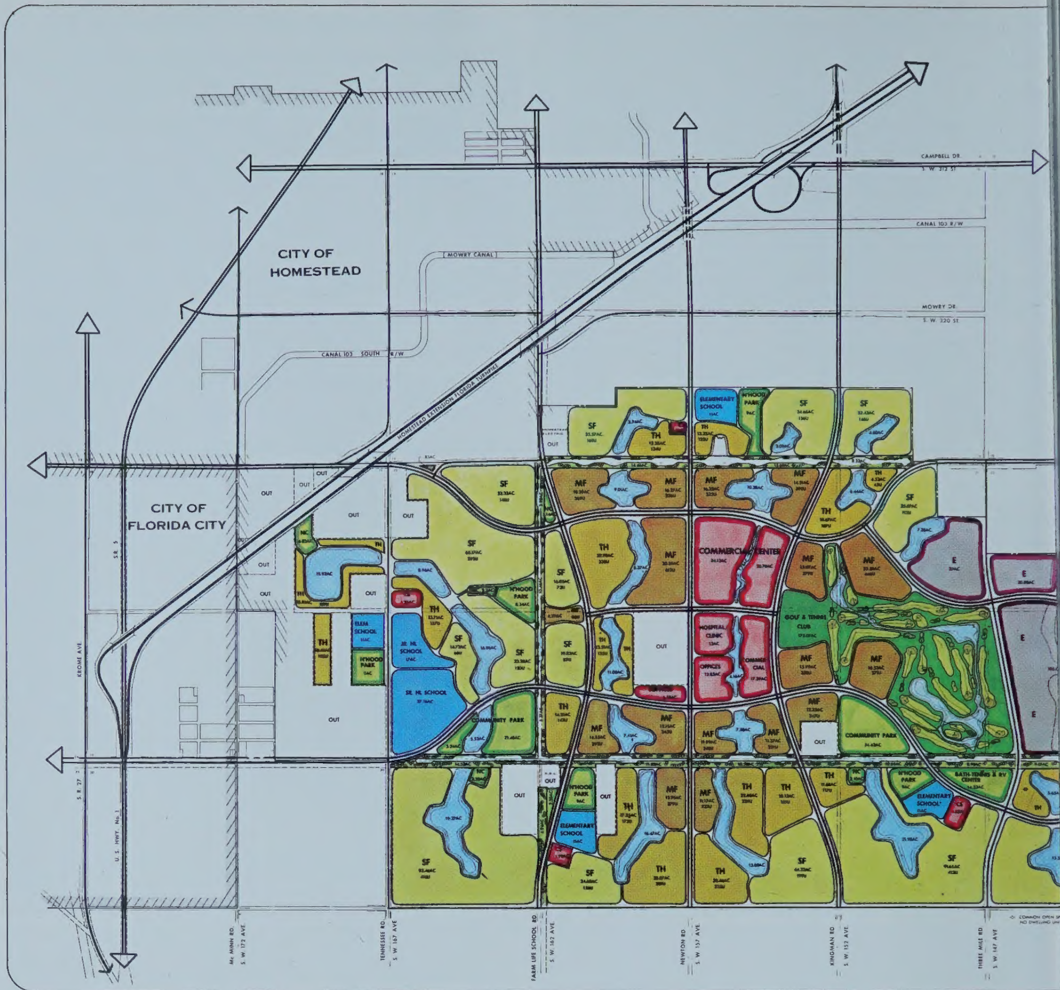
Bottom right: The unveiling ceremonies of the Meadowvale Solar Experiment, October 21, 1975

approximately 14,000 housing units. A 200 acre industrial park and a 70 acre commercial centre are planned.

Homestead Lakes will be distinguished by a system of 500 acres of open space and 300 acres of lakes. An industrial marketing programme is underway and plans for an Information Centre are well advanced. The project is receiving good acceptance locally and servicing is scheduled to commence in the Spring of 1976.

Our progress with the processing of the Company's other lands in Southern Ontario has been slower because of the reluctance of municipalities outside the Toronto area to receive growth. However, in the Town of Whitby, with the co-operation of the Council and local ratepayers groups, we have finalized the design for our Langmaid residential draft plan. This plan is now being engineered for anticipated 1976 construction.

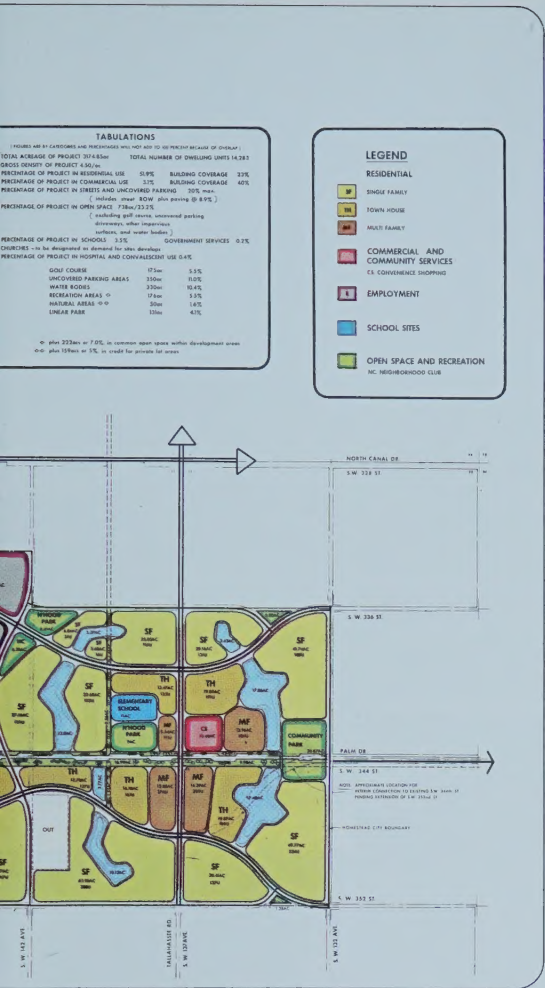
Markborough's joint venture development of residential estate lots east of Cleveland, Ohio is proceeding on schedule. Servicing of the three subdivisions containing a total of 176 lots on 610 acres is complete. Seventy percent of the lots have been sold and we expect that the balance will be sold by the Summer of 1976. We have concluded the purchase of an additional 470 acres in an excellent location close to our present holdings. These lands will produce approximately 90 estate lots, and we anticipate that the development of this area will commence in 1976.



Top: The plan of development for Homestead Lakes, Florida

Above: A home site in our estate development, Chardon Township, east of Cleveland, Ohio

Right: An artist's conception of the planned interior courtyard, Woodside Square shopping centre, Scarborough



Commercial division

John B. Alguire, Vice-President

The Commercial Division conducts a broad range of development and management operations, including shopping centres, office buildings and high density residential projects. It is responsible for the management of the Company's income properties.

In Meadowvale, two neighbourhood shopping centres, Meadowgreen Market in Meadowvale South and Maplewood Market in Meadowvale West, are in operation. Leasing is substantially complete and sales results are encouraging. The residential building activity in Neighbourhood 8 of Meadowvale West permitted the early development of a convenience centre now under construction with leasing commitments confirmed.

The Division's major project in Meadowvale is the Town Centre. The first phase of the shopping facilities is designed. Site plan approval has been obtained and construction is expected to commence this year. A major supermarket has committed for space and discussions are proceeding with other prospective retail and service tenants. Plans for the development of an Interdenominational Church Campus are well advanced. Other programmes are being studied, including the first phase of the library, the Mississauga bus terminal and a fully integrated recreational facility. We expect that the total Town Centre will be developed in its various aspects over the next five years, as population growth is realized.

Our shopping centre staff are continuing their efforts on Woodside Square, a community shopping centre in the Brimley Forest area of Scarborough. Woodside Square has site plan approval and working drawings are now under way for the first phase of approximately 150,000 square feet. Construction will start in April of 1976 and leasing negotiations are proceeding with tenants.

The first phase of Duncan Mill Place, a prestigious office development in the

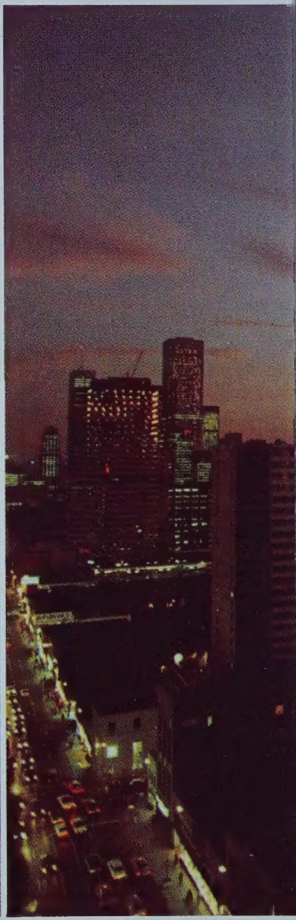
Don Mills area of North York has now been complemented by a second building of equally high standard at 220 Duncan Mill Road. International Business Machines has selected it for a specialty educational computer operation along with other general office and miscellaneous uses. With such an endorsement, we expect that the balance of the building will be leased in the coming year.

In addition to developing new income properties, the Division supervises the management of approximately 600,000 square feet of industrial buildings, 600,000 square feet of office buildings and 1,540 apartment units.

We have not yet commenced our Centennial Gardens project in Winnipeg. It is planned to contain an office building, apartments, retail space, a hotel and a two acre public open space area. Because of the magnitude of this development, it has been decided to delay construction to give us time to resolve some matters now under discussion that would improve the economic viability of the project. If these discussions are concluded satisfactorily, we expect a start will be made in the early spring.

October 27th, 1975 marked the official opening of the Chelsea Inn on Gerrard Street in downtown Toronto. This apartmental-hotel, in which we have a 16⅔% share, contains 555 hotel units and 253 apartment suites. It offers accommodation at comparatively modest rates, and yet maintains full dining and entertainment services. Room occupancy to date has been satisfactory and food and beverage sales have exceeded expectations. The facility's excellent reception by the public and the press is a credit to the fine management team assembled by Delta Hotels Limited. They report that several corporate tenants have committed for space on a long term basis. The Chelsea Inn will host the Company's annual meeting this year.

The Regina Inn, under the management of Mr. K.L. Brown, continues to be one of



Top : The Duncan Mill Place office development, North York

Centre left : The lobby area, 240 Duncan Mill Road

Bottom left : Main lobby, the Chelsea Inn, downtown Toronto

Bottom right : The Chelsea Inn, by night

the most successful hotels of its size in Canada. Major capital improvements have been carried out during the year to improve operating efficiency and guest facilities. The new "Mark Twain" room has gained a reputation as one of the most innovative dining and entertainment rooms in western Canada.

Extensive preliminary planning for the redevelopment of the Eaton's College Street property in which we have an interest was carried out during 1975. The architects for the project, an association of Webb Zerafa, Allward & Gouinlock, A.M. Ingleson and Joseph A. Bogdan, have created a conceptual plan which appears to satisfy most of the proposed criteria for development in the downtown core. Further refinement of the plan should lead to a formal submission to the City of Toronto this year.

Summary of income properties at October 31, 1975

Metropolitan Toronto		
Apartments		
Rideau Towers I (50% share)	49 Thorncliffe Park Drive	400 suites
Rideau Towers II (50% share)	53 Thorncliffe Park Drive	279
The Somerset	605 Finch Avenue West	243
The Clarion	20 Redgrave Drive	178
The Westway	416 The Westway	102
Westway Maisonettes	65 Sandwell Drive	16
The Westerham	63 Callowhill Drive	112
311 Dixon Road	311 Dixon Road	173
Martinway Towers (70% share)	695 Martingrove Road	141
	60 Callowhill Drive	141
Commercial/Industrial		
Office Building	7 Overlea Boulevard	150,000 sq. ft.
Office Building	15 Overlea Boulevard	160,000
Office Building	240 Duncan Mill Road	170,000
Industrial Building	75 Horner Avenue	90,000
Industrial Building	25-49 Coldwater Road	54,000
Industrial Building	310 Judson Street	80,000
Industrial Building	110 Milner Avenue	30,000
Industrial Building	120 Milner Avenue	30,000
Industrial Building (50% share)	3610 Nashua Drive	56,000
Industrial Building	55 Milner Avenue	43,000
Industrial Building (50% share)	150 Telson Road	30,000
Industrial Building (50% share)	6860 Rexwood Road	70,000
Industrial Building	59 Milner Avenue	31,000
Industrial Building (50% share)	3510 Derry Road	3,000
Industrial Building (50% share)	3530 Nashua Drive	20,000
Industrial Building	126 Milner Avenue	20,000
Industrial Building (50% share)	6701 Rexwood Road	18,000
Shopping Centre	6611 Falconer Drive	20,000
Convenience Centre	6690 Montevideo Drive	5,000
Service Station Site	418 The Westway	
Under Construction		
Industrial Building	124 Milner Avenue	63,000 sq. ft.
Office Building	220 Duncan Mill Road	125,000
Industrial Building (50% share)	3688 Nashua Drive	50,000
Industrial Building (50% share)	3710 Nashua Drive	62,000
Apartment Hotel (16$\frac{2}{3}$% share)	33 Gerrard Street West	555 rooms, 253 suites
Regina, Saskatchewan		
Regina Centre, Hotel and Shopping Complex (50% share)	1975 Broad Street	240 rooms

Industrial division

E. Reid Downey, Gordon C. Hunt,
Vice-Presidents

The Meadowvale Industrial Park continued to grow and diversify. Of the 300 acres presently registered, about 53% have been sold. Commercial office buildings have added a new dimension and the area can be truly characterized as a business park, catering to the needs of the industrial, commercial and business community. Public transportation now services the Park and we look forward to commuter rail services in 1978.

During the year, the United Co-Operatives of Ontario opened its $3.5 million Distribution Centre to serve the needs of 180 Co-Op retail outlets in the province. Medtronic of Canada Ltd. commenced operation of the first heart pacemaker manufacturing plant in Canada. They join an expanding list of major companies who have chosen Meadowvale as the location for their new premises.

The office campus site developed by the Seltzer Organization is complete with four office buildings, comprising 208,000 square feet, now almost fully leased. This complex has attracted such nationally known corporations as McGraw Edison of Canada Limited, Atomic Energy of Canada Limited, Monsanto Canada Limited and the London Life Insurance Company.

As the economy improves, we foresee an accelerated development of the Meadowvale Industrial Park. The efforts of the Company to maintain architectural and landscaping control continue to attract potential users and discussions are currently in progress with several companies for the sale or lease of industrial and commercial sites.

About 430,000 square feet of industrial space is now constructed in the 100 acre Rexdale Industrial Park at the junction of Rexdale Boulevard and Derry Road in the City of Mississauga. F-H Welding Machines Limited, Superscope Canada Limited and Royal Industries occupied new premises in 1975.

We are constructing for sale to the British American Bank Note Company a 43,000 square foot building on Islington Avenue in Etobicoke. It is being readied for occupancy in early 1976.

While the demand for industrial space has not been strong during the year, the number of inquiries currently being received indicates some improvement for 1976.

Top : The Meadowvale office campus

Above : The new premises for the British American Bank Note Company, Islington Avenue, Etobicoke

Opposite page : Some of the companies in our Meadowvale industrial community

Price Waterhouse & Co.
CHARTERED ACCOUNTANTS

Box 51 Toronto-Dominion Centre
Toronto, Ont. M5K 1G1
(416) 863-1133 Telex 02-2246

December 3, 1975

AUDITORS' REPORT

To the Shareholders of
Markborough Properties Limited:

We have examined the consolidated balance sheet of Markborough Properties Limited and its subsidiaries as at October 31, 1975 and the consolidated statements of income and expenses, retained earnings and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at October 31, 1975 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants.

Consolidated Statement of Income and Expenses

For the years ended October 31	1975	1974
Revenue from land operations	$16,925,000	$12,914,800
Less cost	9.387,100	7,420,900
Profit from land operations	7,537,900	5,493,900
Revenue from income properties	7,740,500	7,036,500
Less:		
Operating expenses	2,032,800	1,748,200
Mortgage and other interest	2,376,300	2,330,000
Realty taxes	1,300,300	1,151,700
Depreciation	669,500	683,100
	6,378,900	5,913,000
Profit from income properties	1,361,600	1,123,500
Interest and other income	1,851,400	2,051,600
Income before general and administrative expenses	10,750,900	8,669,000
General and administrative expenses:		
Executive and office salaries	725,800	529,000
Bank and debenture interest	428,400	182,700
Other	691,000	532,600
	1,845,200	1,244,300
Net income before income taxes	8,905,700	7,424,700
Provision for income taxes (Note 6):		
Current	2,782,000	4,175,000
Deferred	1,841,000	(279,000)
	4,623,000	3,896,000
Net income for the year	$ 4,282,700	$ 3,528,700
Earnings per share (based on weighted average of shares outstanding during the year)—(Note 10(b))	$1.07	$0.88

Consolidated Statement of Retained Earnings

For the years ended October 31	1975	1974
Retained earnings at beginning of year	$13,184,600	$ 9,655,900
Net income for the year	4,282,700	3,528,700
Retained earnings at end of year	$17,467,300	$13,184,600

Consolidated Balance Sheet

Assets	October 31	1975	1974
Accounts receivable		$ 1,544,800	$ 1,179,300
Mortgages and other secured receivables (Note 2)		18,200,500	16,533,100
Land (Note 3):			
For sale		6,989,900	8,640,300
For future development		63,215,200	60,458,400
		70,205,100	69,098,700
Prepaid expenses and other assets		862,400	909,800
Income properties (Note 3):			
Land		6,020,200	5,991,700
Buildings		39,619,900	37,826,000
Equipment		1,473,400	1,384,500
Construction in progress (Note 4)		9,272,700	5,378,000
		56,386,200	50,580,200
Less accumulated depreciation		5,094,500	4,425,000
		51,291,700	46,155,200
		$142,104,500	$133,876,100

Liabilities and shareholders' equity	October 31	1975	1974
Bank indebtedness (Note 5)		$ 9,608,700	$ 3,980,300
Accounts payable and accrued liabilities:			
On construction and development in progress		1,775,700	3,010,800
Other, including accrued interest		2,524,500	2,196,000
Income taxes payable (Note 6)		428,200	3,595,700
Provision for development costs		6,555,000	6,148,500
Amounts payable under land purchase agreements (Note 7)		3,029,600	4,291,600
Sinking fund debentures (Note 8)		10,000,000	10,000,000
Mortgages payable (Note 9)		57,778,200	56,372,300
Deferred income taxes (Note 6)		11,981,000	10,140,000
		103,680,900	99,735,200
Shareholders' equity:			
Capital stock (Note 10)—			
Authorized—6,000,000 common shares, no par value			
Issued—4,002,499 shares		20,956,300	20,956,300
Retained earnings		17,467,300	13,184,600
		38,423,600	34,140,900
		$142,104,500	$133,876,100

Approved by the Board: B.R.B.Magee, Director D.F.Prowse, Director

Consolidated Statement of Source and Application of Cash

For the years ended October 31	1975	1974
Cash was provided from:		
Operations—		
Net income for the year	$ 4,282,700	$ 3,528,700
Add expenses included therein not requiring a current outlay of cash—		
Depreciation	669,500	683,100
Income taxes, deferred	1,841,000	(279,000)
	6,793,200	3,932,800
Short-term investments	—	3,305,600
Amounts payable under land purchase agreements	—	3,878,500
Mortgages on income properties and land	2,703,900	14,683,000
Land, development and related costs realized through sales	9,387,100	7,420,900
Proceeds from issue of common shares	—	261,500
Increase in other liabilities	1,922,800	4,002,300
Decrease in accounts, mortgages and other secured receivables	—	6,918,200
Total cash provided	20,807,000	44,402,800
Cash was applied to:		
Land—		
Acquisition	1,868,400	25,335,900
Development and related costs	5.590,200	10,113,300
Carrying charges	2,656,900	1,957,200
Increase in accounts, mortgages and other secured receivables	2,032,900	—
Income property construction	5,777,500	5,629,100
Income taxes	5,949,500	1,176,300
Amounts payable under land purchase agreements	1,262,000	177,200
Mortgage principal repayments—		
Income properties	499,200	461,600
Land	798,800	3,801,000
Total cash applied	26,435,400	48,651,600
Net outgoing cash	$ 5,628,400	$ 4,248,800

Notes to Consolidated Financial Statements October 31, 1975

1. Summary of accounting policies:
The accounting policies of the Company conform to generally accepted accounting principles and comply with guidelines published by the Ontario Securities Commission relating to the recognition of profits in real estate transactions. The Company is a member of the Canadian Institute of Public Real Estate Companies and its accounting policies and standards of financial disclosure are substantially in accordance with the recommendations of that Institute.

a Principles of consolidation –
The consolidated financial statements include the accounts of all subsidiaries and the Company's share of the assets, liabilities, revenues and expenses of both incorporated and unincorporated joint ventures in which it participates.

b Land and income properties –
Land and income properties except for certain land acquired by amalgamation (see Note 3), are at cost which includes pre-development expenses and carrying charges (interest and real estate taxes).

The Company follows the practice, customary in the industry, of recording in its accounts as land for sale, the estimated cost on a fully developed basis of those parcels of land on which the planning, engineering, servicing and governmental authorization procedures are completed to the point that the land can be regarded as available for sale. The amount shown includes raw land costs and full provision for complete development costs as estimated. The liability for the unexpended portion of the estimated development costs is shown as provision for development costs.

c Depreciation policy –
The buildings included in income properties are being depreciated on a 3%, 40 year sinking fund basis. Under this method depreciation is charged to income in an amount which increases annually, consisting of a fixed charge together with interest compounded at the rate of 3% per annum, so as to fully depreciate the buildings over a 40 year period. Equipment is being depreciated at 15% on a straight-line basis.

d Revenue from income properties –
Revenue from income properties includes gross rental revenue from all the Company's properties except Regina Centre and the industrial buildings. Revenue from Regina Centre has been included after deducting direct operating expenses. Revenue from industrial buildings is on a net basis as operating expenses and realty taxes are paid for by the tenants.

e Conversion of foreign currencies –
Transactions in United States currency are converted and recorded at the rates of exchange prevailing at the date of the transaction. Gains and losses on exchange are included in net income as realized.

2. Mortgages and other secured receivables:
Mortgages and other secured receivables, which arise from land transactions, bear interest at an average rate of 9.6% and mature as follows:

Fiscal year	
ending October 31, 1976	$ 6,981,000
1977	8,402,500
1978	2,817,000
	$18,200,500

Under certain conditions the amounts due may be paid prior to maturity.

3. Valuation of land and income properties:
On August 12, 1965 Markborough Limited and Highbury Properties Limited amalgamated under the Ontario Corporations Act to form Markborough Properties Limited. Land originally held by Markborough Limited was recorded at cost. Land and income properties held by Highbury Properties Limited were recorded at approximately $1,800,000 less than the valuation at the date of amalgamation and approximately $4,100,000 in excess of the values recognized for income tax purposes. The potential tax liability created by this excess was taken into account in arriving at the values used.

Part of the property to which this excess applied has been sold and as a result the balance has been reduced to approximately $2,950,000 allocated as follows:

Income properties:		
Land	$1,100,000	
Buildings	300,000	
		$1,400,000
Land for sale or future development		1,550,000
		$2,950,000

The increment shown above relating to income properties will not result in additional taxes unless the properties are sold. At the present time it is not the Company's intention to sell these properties.

The land for sale or future development subject to the increment is part of the Company's Meadowvale project. It is estimated that sales in this part of the project will extend over a nine year period and additional taxes of approximately $750,000 will be charged to income over that period.

Carrying charges accumulated to date on land for future development amount to $6,862,000, including $2,628,000 in the current year.

4. Construction in progress:
Estimated cost to complete construction of five projects in progress is approximately $2,381,000. Permanent financing has been arranged on one of these projects and will be arranged on the remaining projects in due course.

5. Bank indebtedness:
Bank indebtedness includes $8,250,400 secured by demand debentures creating a first floating charge on the assets of the Company and ranking ahead of the security for the sinking fund debentures (Note 8). The remaining indebtedness, $1,358,300, relates to the Company's share of bank advances to incorporated joint ventures.

6. Income taxes:
The Company's provision for income taxes has been calculated in accordance with generally accepted principles, by applying the income tax rate applicable to its 1975 fiscal year to net income earned during the year.

The amount of the 1975 provision that is currently payable, $2,782,000, is calculated by applying the same tax rate to the Company's taxable income which, because of certain sections in the Income Tax Act, is less than the net income shown in the Company's accounts. The section in the Income Tax Act which gives rise to the major difference between the Company's taxable and net income in 1975 allows a deferment of tax on profits from land sales until the proceeds are received in cash.

The remainder of the tax provision, $1,841,000, the amount not currently payable, is included on the balance sheet as deferred income taxes. Based on the Company's projections of future taxable income, it is unlikely that the balance of the deferred tax account will be reduced before 1979.

7. Amounts payable under land purchase agreements:
Under terms of various land purchase agreements the Company has incurred obligations related to land for future development at an average interest rate of 6.1% which are repayable approximately as follows:

Fiscal year ending October 31,	1976	$1,011,800
	1977	1,011,800
	1978	1,006,000
		$3,029,600

8. Sinking fund debentures:
The sinking fund debentures, authorized at $10,000,000 and secured by a floating charge on the assets of the Company (subject to the security referred to in Note 5), bear interest at 8.5% and are repayable as follows:

Fiscal year ending October 31,	1977	$ 1,500,000
	1978	1,500,000
	1979	1,500,000
	1980	1,500,000
	1981	2,000,000
	1982	2,000,000
		$10,000,000

In addition, under certain circumstances the principal outstanding at any time may be reduced by the exercise of the share warrants issued in connection with these debentures (See Note 10(a)).

9. Mortgages payable:
Mortgages payable comprise the following:

On land for future development, at an average interest rate of 8.2% with varying repayment terms and maturing by 1991	$25,180,300
On income properties, at an average interest rate of 8.0% payable in equal instalments of principal and interest and maturing by 2004	32,597,900
	$57,778,200

Mortgages payable include $12,734,000 payable in United States funds. This amount has been converted at the exchange rates prevailing when the funds were received. Based on the October 31, 1975 exchange rate, the Company's liability on these mortgages is approximately $97,000 less than the amounts recorded. This amount will be taken into income if and when realized.

Principal repayments are due approximately as follows:

Fiscal year ending October 31,	1976	$ 1,852,000
	1977	2,853,300
	1978	3,284,100
	1979	3,696,800
	1980	3,471,100
Subsequent to October 31,	1980	42,620,900
		$57,778,200

10. Capital stock:
a In connection with the issue of $7,000,000 sinking fund debentures in 1971, warrants were issued during that year entitling the holders thereof to purchase 400,000 common shares of the Company at a price of $8 if exercised on or before January 30, 1977 and thereafter at a price of $9.50 if exercised on or before January 30, 1982. On the issue of the remaining $3,000,000 sinking fund debentures in 1972, warrants were issued during that year entitling the holders thereof to purchase an additional 171,429 common shares at a price of $8 if exercised on or before January 30, 1978 and thereafter at a price of $9.50 if exercised on or before January 30, 1983. In prior years, warrants related to debentures issued in 1972 were exercised resulting in the issue of 15,000 common shares. During the current year no warrants were exercised. For the purpose of the warrants still outstanding 556,429 common shares have been reserved. Under certain circumstances the above warrants may be exercised by an equivalent reduction in outstanding sinking fund debentures.
b If the 556,429 outstanding warrants were exercised and the funds derived invested at 10%, the Company's fully diluted earnings per share would be $0.99 (1974 – $0.82).

11. Contingent liability:
The Company is contingently liable at October 31, 1975 for $8,855,000 representing the liabilities of its co-owners in unincorporated joint ventures but against such contingent liability the Company would have a claim upon the joint venture assets of its co-owners. The value of these joint venture assets exceeds the contingent liability.

12. Remuneration to directors and senior officers:
The aggregate direct remuneration paid or payable to the directors and eight senior officers of the Company as defined in the Ontario Business Corporations Act in respect of the year ended October 31,1975 was $433,000 (1974 – $403,000).

Markborough Properties Limited

Head office: 90 Eglinton Avenue West, Toronto

Directors

D.S.Anderson
Chairman
Canada Realties Limited
Toronto

A.R.Grant
President
George Wimpey Canada Limited
Toronto

G.C.Gray
President
A.E.LePage Limited
Toronto

The Right Honourable Viscount Hardinge
Honorary Chairman
Greenshields Incorporated
Montreal

Captain J.Jeffery
Chairman of the Board
London Life Insurance Company
London

H.P.Langer
Executive Vice-President
Markborough Properties Limited
Toronto

A.J.MacIntosh
Partner
Blake, Cassels & Graydon
Toronto

B.R.B.Magee
Chairman of the Board
A.E.LePage Limited
Toronto

P.M.McEntyre
President
Commercial Trust Company Limited
Montreal

D.S.McGiverin
President and Chief Executive Officer
Hudson's Bay Company
Toronto

J.G.W.McIntyre
Vice-President, Retail Development
Hudson's Bay Company
Toronto

D.W.Pretty
President
North American Life Assurance Company
Toronto

D.F.Prowse
Executive Vice-President
Markborough Properties Limited
Toronto

J.L.Toole
Chairman
C.N.Investment Division
Vice-President
Canadian National Railways
Montreal

P.W.Wood
[illegible]
Hudson's Bay Company
Toronto

Officers

Brian R.B.Magee F.R.I., S.I.R., C.R.E.
Chairman of the Board and President

Donald S.McGiverin B.Comm., M.B.A.
Deputy Chairman of the Board

H.Peter Langer F.R.I., S.I.R.
Executive Vice-President

Donald F.Prowse B.A., C.A.
Executive Vice-President

John B.Alguire B.A.SC., P.ENG.
Vice-President

Kenneth C.Comyns B.A.I., M.A., P.ENG.
Vice-President

George H.Mundy C.A.
Vice-President and Treasurer

Ronald C.Brown B.A.
Secretary

Legal Counsel
Blake, Cassels & Graydon
Toronto

Auditors
Price Waterhouse & Co.
Toronto

Transfer Agent and Registrar
Canada Permanent Trust Company
Toronto, Montreal, Halifax, Winnipeg, Calgary and Vancouver

Securities Listed
Montreal Stock Exchange
Toronto Stock Exchange

Ten Year Comparison

	1975	1974	1973	1972	1971
Operating results for the year					
Revenue from land operations	**$16,925,000**	$12,914,800	$29,448,700	$ 7,046,800	$ 3,465,700
Revenue from income properties	**7,740,500**	7,036,500	6,132,600	5,233,700	4,953,500
Net income before taxes	**8,905,700**	7,424,700	12,376,400	2,041,500	1,057,100
Net income after taxes	**4,282,700**	3,528,700	6,065,400	984,500	540,100
Per common share (weighted average):					
Net income after taxes	**$1.07**	$0.88	$1.53	$0.26	$0.15
Cash flow from operations	**1.70**	0.98	3.15	0.70	0.44
Financial position at the year-end					
Undeveloped land	**$63,215,200**	$60,458,400	$34,735,500	$27,778,300	$27,984,900
Income properties	**51,291,700**	46,155,200	40,198,500	38,095,500	35,772,000
Bank debt	**9,608,700**	3,980,300	—	920,000	1,434,900
Long-term debt	**70,807,800**	70,663,900	56,542,200	44,351,500	40,908,200
Share capital	**20,956,300**	20,956,300	20,694,800	20,614,600	18,590,600
Retained earnings	**17,467,300**	13,184,600	9,655,600	3,590,500	2,606,000
Statistical at the year-end					
Common shares outstanding	**4,002,499**	4,002,499	3,959,199	3,944,299	3,652,294
Ratio of income properties to land for development	**.8 to 1**	.8 to 1	1.2 to 1	1.4 to 1	1.3 to 1
Ratio of debt to equity	**2.1 to 1**	2.2 to 1	1.9 to 1	1.9 to 1	2.0 to 1

1970	1969	1968	1967	1966
$ 4,002,000	$ 7,410,300	$ 2,855,700	$ 2,551,600	$ 1,464,900
4,754,200	3,771,300	3,013,500	1,386,700	773,400
1,426,700	2,615,200	871,300	294,900	(32,600)
694,700	810,200	427,300	144,900	(32,600)
$0.19	$0.22	$0.12	$0.04	($0.02)
0.54	0.85	0.35	0.13	0.04
$25,591,900	$22,054,300	$16,787,300	$14,808,700	$14,871,400
31,373,300	30,095,000	27,880,400	24,027,400	12,191,500
1,335,200	3,937,500	6,325,200	6,437,700	8,822,400
32,654,800	29,946,300	22,430,600	15,931,900	11,408,100
18,590,600	18,590,600	18,568,400	18,460,200	7,710,200
2,065,900	1,371,200	561,000	133,700	(11,200)
3,652,294	3,652,294	3,648,494	3,627,094	1,489,100
1.2 to 1	1.4 to 1	1.7 to 1	1.6 to 1	.8 to 1
1.6 to 1	1.7 to 1	1.5 to 1	1.2 to 1	2.6 to 1

March 11

Dominion Bridge
B.C. room

Markborough Properties Limited 90 Eglinton Avenue West, Toronto, Canada M4R 2E7

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Consolidated Statement of Source and Application of Cash

For the Six Months Ended April 30, 1975 (Unaudited)

(with comparative figures for the six months ended April 30, 1974)

	1975	1974*
Cash was provided from:		
Operations –		
Net income for the period	$ 1,497,000	$ 1,999,000
Add expenses included therein not requiring a current outlay of cash:		
Depreciation	330,300	338,500
	1,827,300	2,337,500
Mortgages on income properties and land	568,200	3,977,500
Land, development and related costs realized through sales	3,227,500	4,579,700
Short-term investments	—	3,305,600
Amounts payable under land purchase agreements	—	3,878,500
Proceeds from issue of common shares	—	261,500
Increase in other liabilities	465,700	289,200
Total cash provided	6,088,700	18,629,500
Cash was applied to:		
Income property construction	3,323,800	1,596,400
Land –		
Acquisition	880,300	12,226,200
Development and related costs	2,086,500	3,643,600
Carrying charges	1,215,300	785,400
Increase (decrease) in accounts, mortgages and other secured receivables	1,739,200	(132,200)
Income taxes	1,918,200	1,073,500
Amounts payable under land purchase agreements	1,180,400	21,800
Mortgage principal repayments –		
Income properties	244,600	225,600
Land	143,600	2,035,600
Total cash applied	12,731,900	21,475,900
Net outgoing cash	$ 6,643,200	$ 2,846,400

*Certain of the 1974 figures have been re-stated in accordance with the treatment of these items at April 30, 1975 and in the October 31, 1974 financial statements.

Markborough
PROPERTIES LIMITED

90 Eglinton Avenue West
Toronto, Canada M4R 2E7

Markborough
PROPERTIES LIMITED

Interim Report to the Shareholders for the Six Months Ended April 30, 1975

Dear Shareholder:

I am pleased to report our unaudited results for the six months ended April 30, 1975. Net income for the period was $1,497,000, 37.4¢ per share compared to $1,999,000, 50.2¢ per share for the same period last year.

Land sales revenue was $5,778,000 compared to $7,705,000 last year. Neighbourhood 8 in Meadowvale West accounted for most of these sales. In addition, we have sales agreements totalling $8,350,000 which are due to close in the next quarter, compared to $2,619,000 which closed in the third quarter last year. Sales of other sites in Neighbourhood 8 are under active negotiation. In 1974, total land sales were $12,915,000. In order to meet the urgent need for serviced residential land, we are working vigorously to obtain registration of additional neighbourhoods this year.

The increase in profit from our income property operations is largely the result of improved results from our existing commercial and industrial buildings. The Company now has 27 properties on stream with 8 projects under construction. It is expected that a number of these projects will come on stream prior to the year-end.

The decrease in interest and other income, $737,000 compared to $1,089,000 in 1974, results from having a lower volume of interest-bearing accounts receivable in the Company's accounts during the current period. General and administrative expenses increased from $666,000 to $884,000. Additional salaries for new staff, the higher cost of our new premises and increased interest charges resulting from a higher level of bank borrowing, account for the major part of the increase.

I expect that our profit for fiscal 1975 will be higher than last year.

June 10, 1975

Brian R. B. Magee,
President

Consolidated Statement of Income and Expenses

For the Six Months Ended April 30, 1975 (Unaudited)

(with comparative figures for the six months ended April 30, 1974)

	1975	1974
Revenue from land operations	$5,778,000	$7,705,100
Less cost	3,227,500	4,579,700
Profit from land operations	2,550,500	3,125,400
Revenue from income properties	3,772,100	3,397,100
Less:		
Operating expenses	1,012,700	838,600
Mortgage and other interest	1,171,500	1,164,500
Realty taxes	605,400	571,200
Depreciation	330,300	338,500
	3,119,900	2,912,800
Profit from income properties	652,200	484,300
Interest and other income	737,200	1,089,100
Income before general and administrative expenses	3,939,900	4,698,800
General and administrative expenses:		
Executive and office salaries	352,700	249,000
Bank and debenture interest	203,000	167,600
Other	328,200	249,200
	883,900	665,800
Net income before income taxes	3,056,000	4,033,000
Provision for income taxes (See Note 1)	1,559,000	2,034,000
Net income for the period	$1,497,000	$1,999,000
Earnings per share		
On shares outstanding (weighted average)	37.4¢	50.2¢
On fully diluted basis (See Note 2)	35.0¢	46.2¢
Cash flow per share (See Note 1)	45.7¢	58.6¢

Notes:

1. The Company's provision for income taxes has been calculated in accordance with generally accepted principles, by applying the income tax rate for the current fiscal year to net income earned during the period. As it is not possible to compute the allocation of income taxes between current and deferred at an interim date, the full amount of the provision for income taxes has been treated as a current liability. The cash flow per share has been calculated in accordance with this treatment in both 1975 and 1974, resulting in a re-statement of the 1974 figure from 92.7¢.

2. Diluted earnings per share are based on the exercise of all outstanding warrants to purchase shares in the Company, assuming the funds derived are invested at 9%. The amount of such imputed income after taxes is $98,000 (1974-$99,000).

Consolidated Statement of Retained Earnings

For the Six Months Ended April 30, 1975 (Unaudited)

(with comparative figures for the six months ended April 30, 1974)

	1975	1974
Retained earnings at beginning of period	$13,184,600	$ 9,655,900
Net income for the period	1,497,000	1,999,000
Retained earnings at end of period	$14,681,600	$11,654,900